

QUEBEC

March 30, 2016

Real GDP ticks down in Q4 and rises 1.1% in 2015

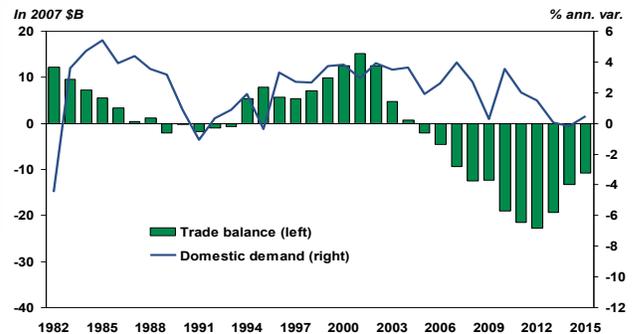
HIGHLIGHTS

- Real GDP fell an annualized 0.3% in the fourth quarter of 2015. Some statistical changes increased growth for some prior quarters, however.
- Real GDP increased 1.1% for 2015 as a whole, which is slower than the 1.5% pace recorded in 2014.
- Domestic demand made slight progress in the final quarter of 2015. Consumer spending slowed and business and government investment fell, while the residential sector firmed up at year's end.
- Business investment declined throughout 2015, for a third straight year. Investment in machinery and equipment dropped 1.1%, while investment in non-residential structures dropped 8.1%.
- The trade deficit narrowed somewhat in 2015, going to \$10.8B in 2007 dollars. Export growth slowed to 2.4% last year, while imports barely edged up due to the weak domestic economy.
- Real GDP by industry ticked up 0.2% in December after falling the two previous months.

COMMENTS

Real GDP was expected to contract in Q4 2015, given the lacklustre monthly statistics released recently. Quebec's economy was somewhat fragile over the course of the year. The fourth-quarter downtick is not surprising, since domestic demand does not provide enough support. Consumption spending by households and governments is in low gear, while private and public investment is declining. The domestic economy therefore did not make much progress in 2015, as in 2014.

Weak domestic demand and a better trade balance



Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

Once again, international trade saved the day thanks to the boom in international exports (+4.0%). However, the rise was much slower than the previous year's (+10.3%). Although exports to the United States did well once again, exports to Europe and Asia were lacklustre. There was no increase in shipments to the rest of Canada for a second straight year due to the economic troubles in some provinces. In 2015, the contribution from international trade was smaller than in the previous year, slowing real GDP growth to 1.1%.

Implications: Although real GDP pulled back in the last quarter of 2015, Quebec's economy posted a pace of 1.1% last year. The weakness in growth should give way to some improvement in 2016. Private and public investment should start to rise, while consumer spending should do better thanks to some tax relief. Domestic demand is looking up; this combined with the gains in international markets, should allow real GDP to advance a little more quickly in 2016.

Hélène Bégin
Senior Economist

François Dupuis
Vice-President and Chief Economist

Hélène Bégin
Senior Economist

Benoit P. Durocher
Senior Economist

Francis Généreux
Senior Economist

418-835-2450 or 1 866 835-8444, ext. 2450
E-mail: desjardins.economics@desjardins.com

NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively.

IMPORTANT: This document is based on public information and may under no circumstances be used or construed as a commitment by Desjardins Group. While the information provided has been determined on the basis of data obtained from sources that are deemed to be reliable, Desjardins Group in no way warrants that the information is accurate or complete. The document is provided solely for information purposes and does not constitute an offer or solicitation for purchase or sale. Desjardins Group takes no responsibility for the consequences of any decision whatsoever made on the basis of the data contained herein and does not hereby undertake to provide any advice, notably in the area of investment services. The data on prices or margins are provided for information purposes and may be modified at any time, based on such factors as market conditions. The past performances and projections expressed herein are no guarantee of future performance. The opinions and forecasts contained herein are, unless otherwise indicated, those of the document's authors and do not represent the opinions of any other person or the official position of Desjardins Group. Copyright © 2016, Desjardins Group. All rights reserved.